

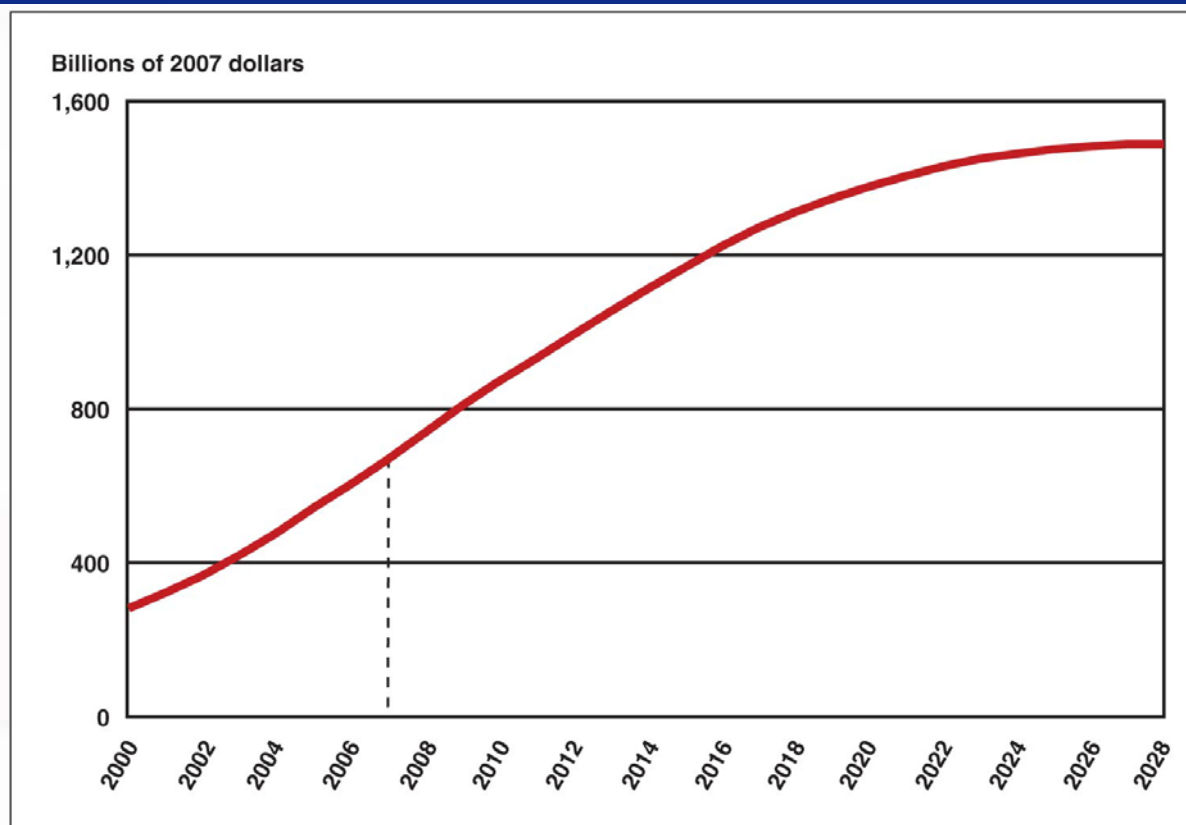
Enhancing Stewardship Over Weapon System Investments

Presentation by
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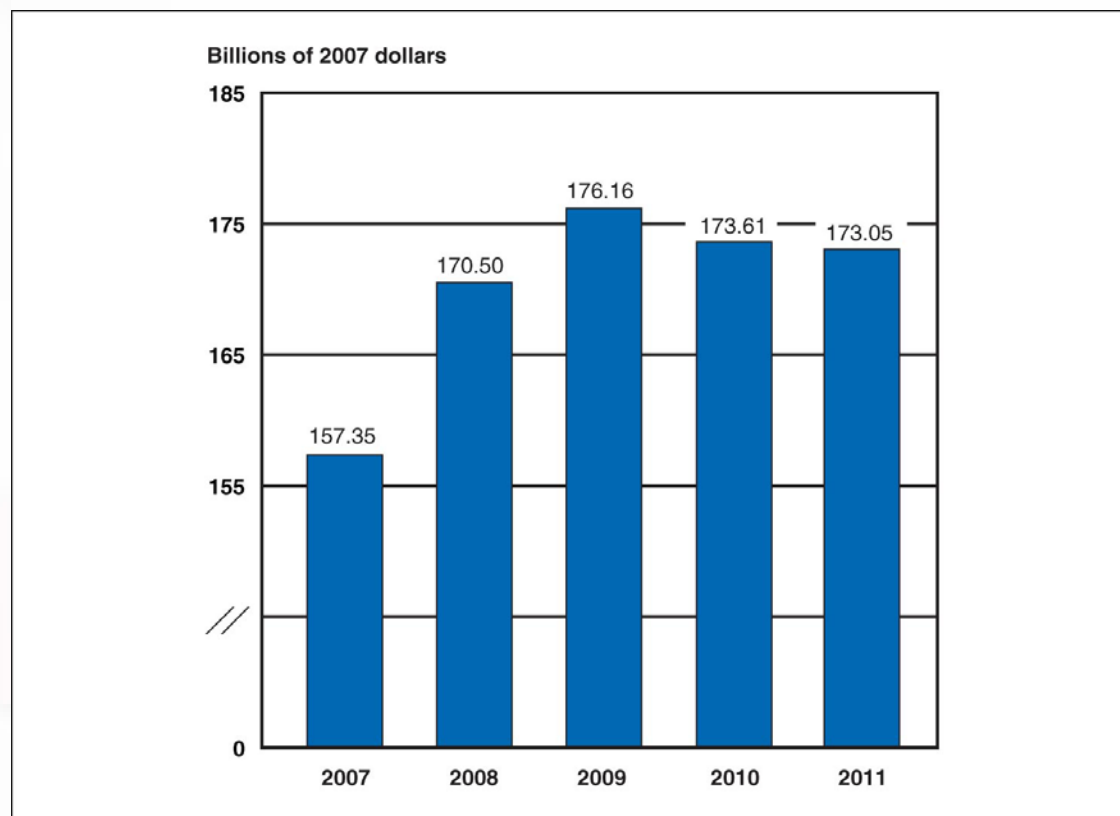
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A Case for Change – Total Cumulative Expenditures on Current MDAP Portfolio



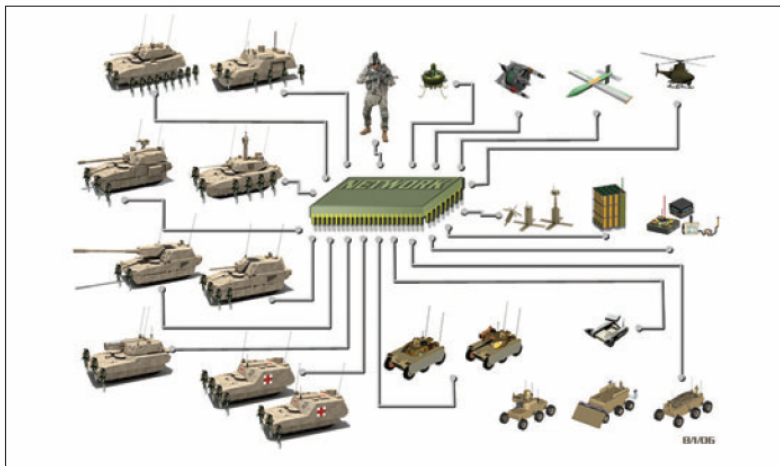
Source: GAO analysis of DOD data.

A Case for Change – Projected Annual Investment in Procurement and RDT&E



Source: GAO analysis of DOD data.

A Case for Change – Problems in Mega Systems Produce Much Greater Fiscal Impact



Source: Program Manager, Future Combat Systems (BCT).

Future Combat Systems

New estimates--between \$203 billion and \$234 billion—place FCS significantly above the current estimate of \$163.7 billion

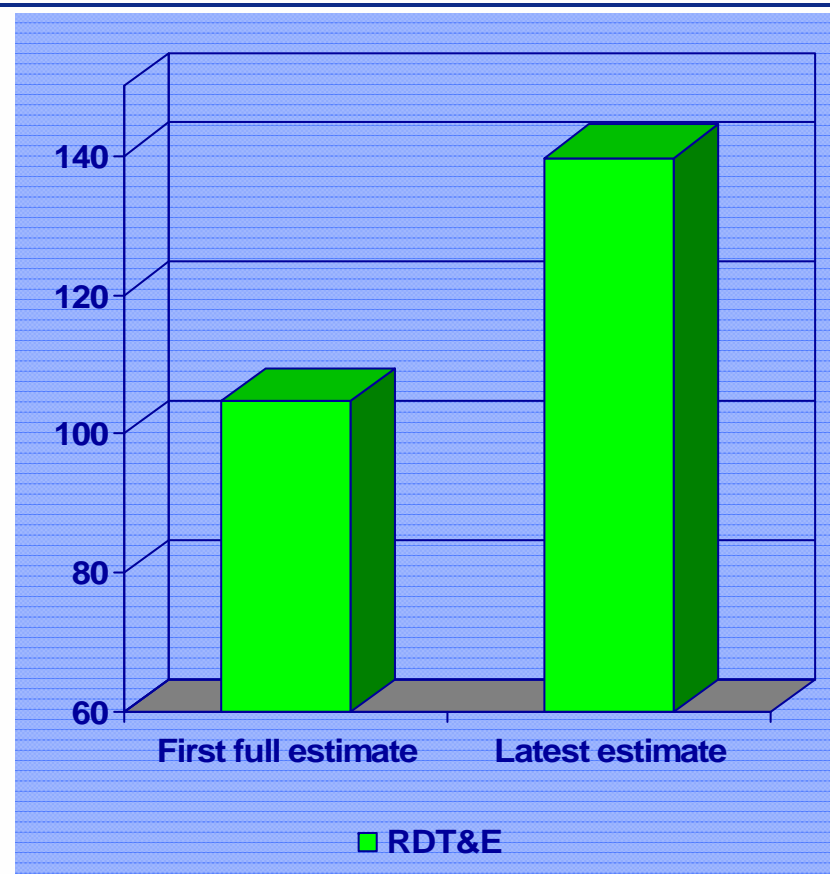


Source: THAAD Project Office.

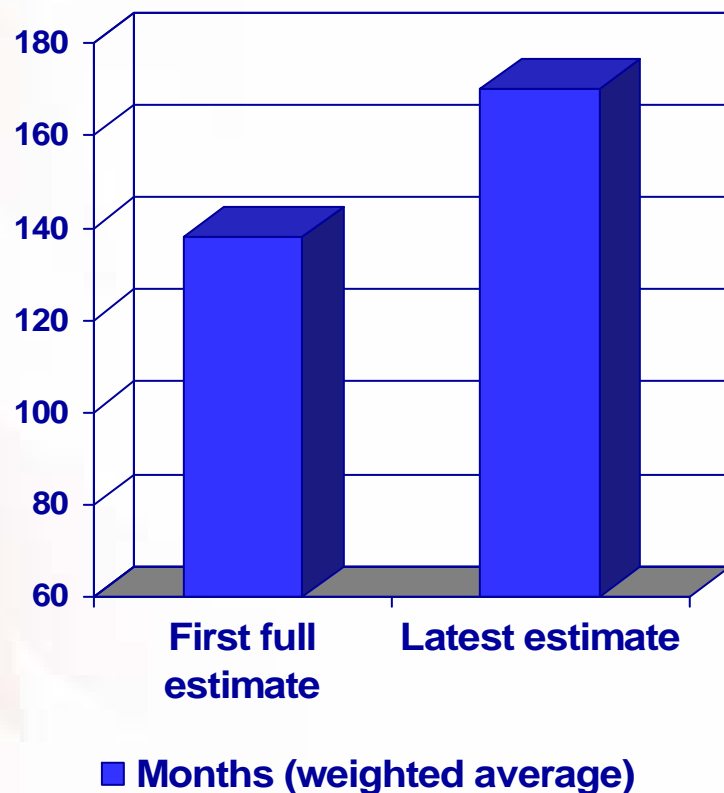
Missile Defense

Costs for Block 2006 now at \$20 billion, but scope of work has been reduced. More deferments expected to offset growing contractor costs.

A Case for Change – Cost Growth for 27 Weapon Systems




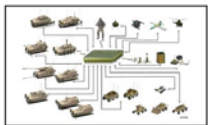




A Case for Change – Schedule Growth for 27 Programs



- 23.5% change in weighted average cycle time.

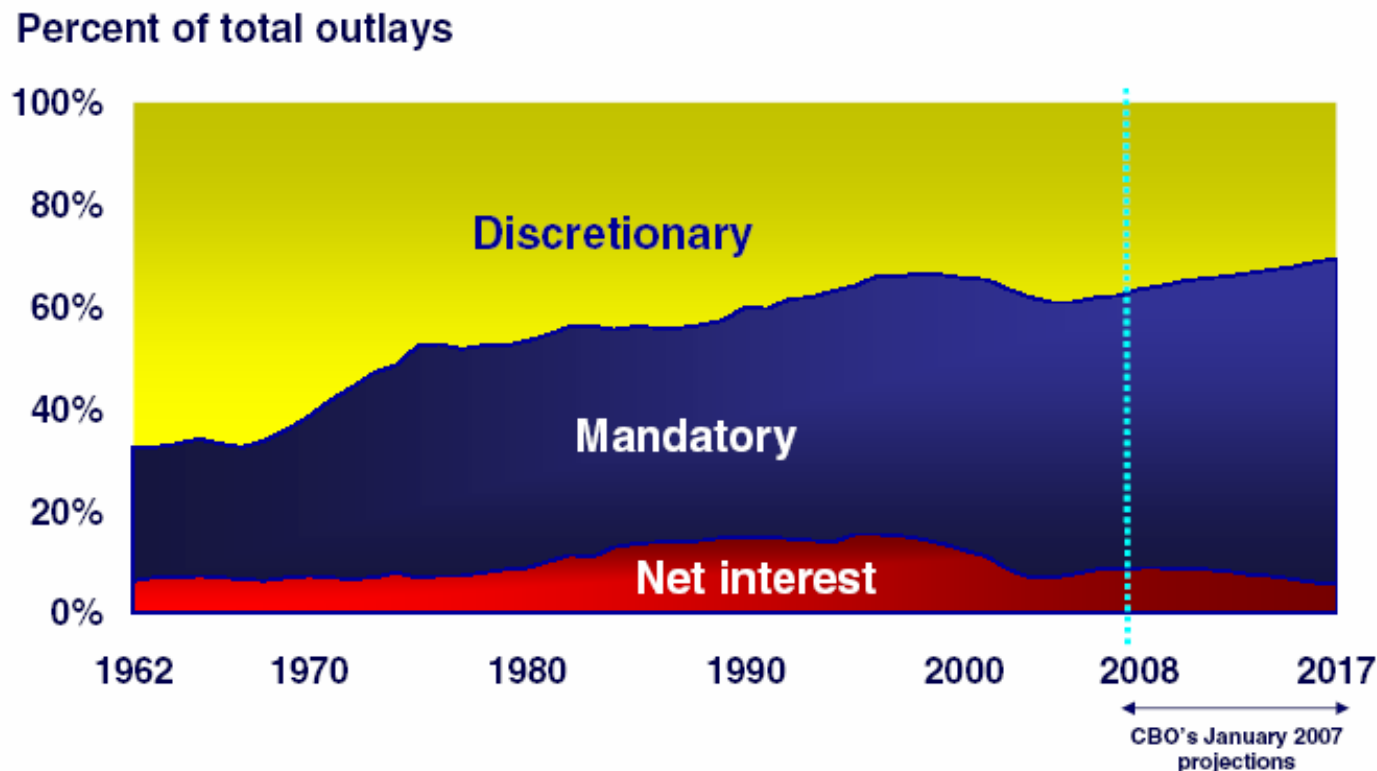
Programs included in cost and schedule analysis: AEHF, MUOS, NPOESS, WGS, Patriot/MEADS, ARH, Excalibur, FCS, Warrior UAS, EA-18G, EFSS, V-22, AESA, E-2D, AHE, JTRS HMS, JTRS GMR, Land Warrior, WINT-T, ERM, CVN-21, C-5AMP, C-5 RERP, F-22A Mod, Global Hawk, JSF Reaper, P-8AMMA. We limited analysis to these because all data including cost, schedule, and quantities were available for comparison purposes.

A Case for Change – Reduced Buying Power

Program		Initial estimate	Initial quantity	Latest estimate	Latest quantity	Percentage of unit cost increase
Joint Strike Fighter		\$196.5 billion	2,866 aircraft	\$223.3 billion	2,458 aircraft	32.8
Future Combat Systems		\$85.5 billion	15 systems	\$131.7 billion	15 systems	54.1
V-22 Joint Services Advanced Vertical Lift Aircraft		\$36.9 billion	913 aircraft	\$50.0 billion	458 aircraft	170.2
Evolved Expendable Launch Vehicle		\$16.0 billion	181 vehicles	\$28.6 billion	138 vehicles	134.7
Space Based Infrared System High		\$4.2 billion	5 satellites	\$10.4 billion	3 satellites	311.6
Expeditionary Fighting Vehicle		\$8.4 billion	1,025 vehicles	\$11.3 billion	1,025 vehicles	33.7

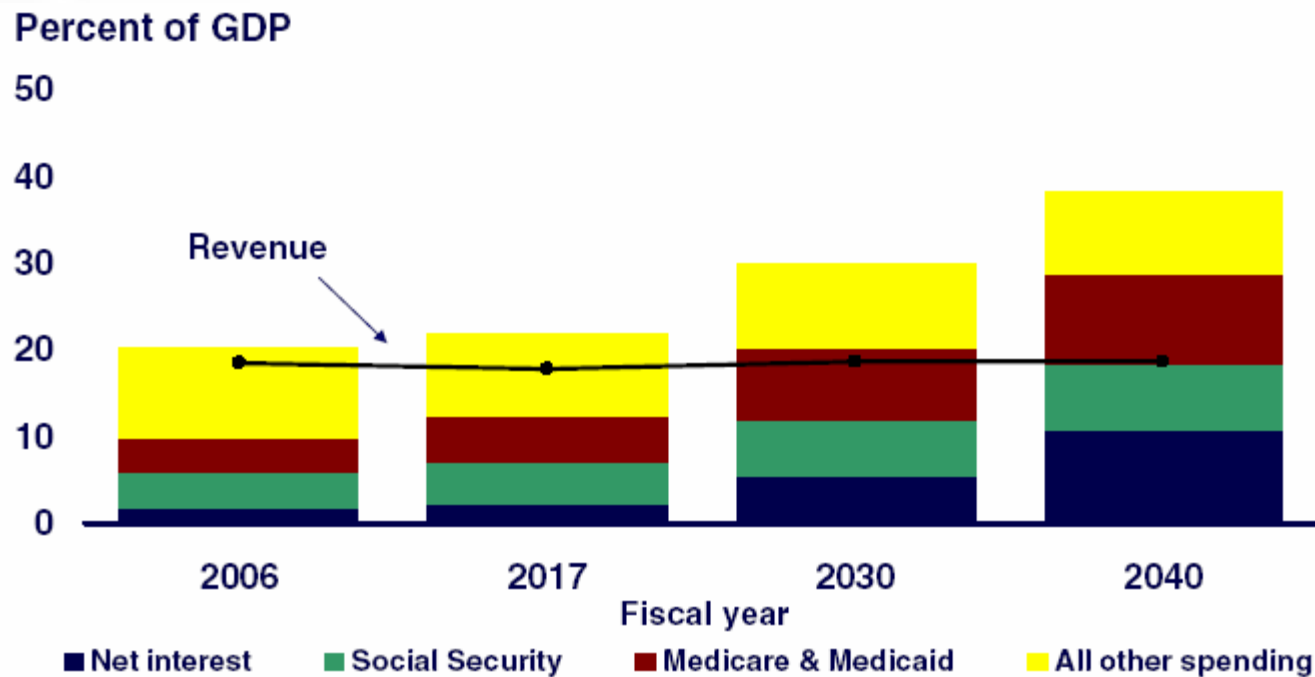
Source: GAO analysis of DOD data. Images sourced in their respective order: JSF Program Office; Program Manager, Future Combat Systems (BGT); V-22 Joint Program Office; (Left) © 2006 ILS/Lockheed Martin, (right) © 2003 The Boeing Company; Lockheed Martin Space Systems Company; General Dynamics Land Systems.

Federal Spending for Mandatory Programs Crowds Out Spending for Discretionary Programs



Sources: Office of Management and Budget and the Congressional Budget Office.

Discretionary Spending Grows with GDP After 2007 and All Expiring Tax Provisions Extended through 2017



Source: GAO's January 2007 analysis.

What Needs to Change

- ☐ Decision-making
- ☐ Support
- ☐ Accountability

Decision-making: New Starts Based on Promises Well Beyond the Strike Zone

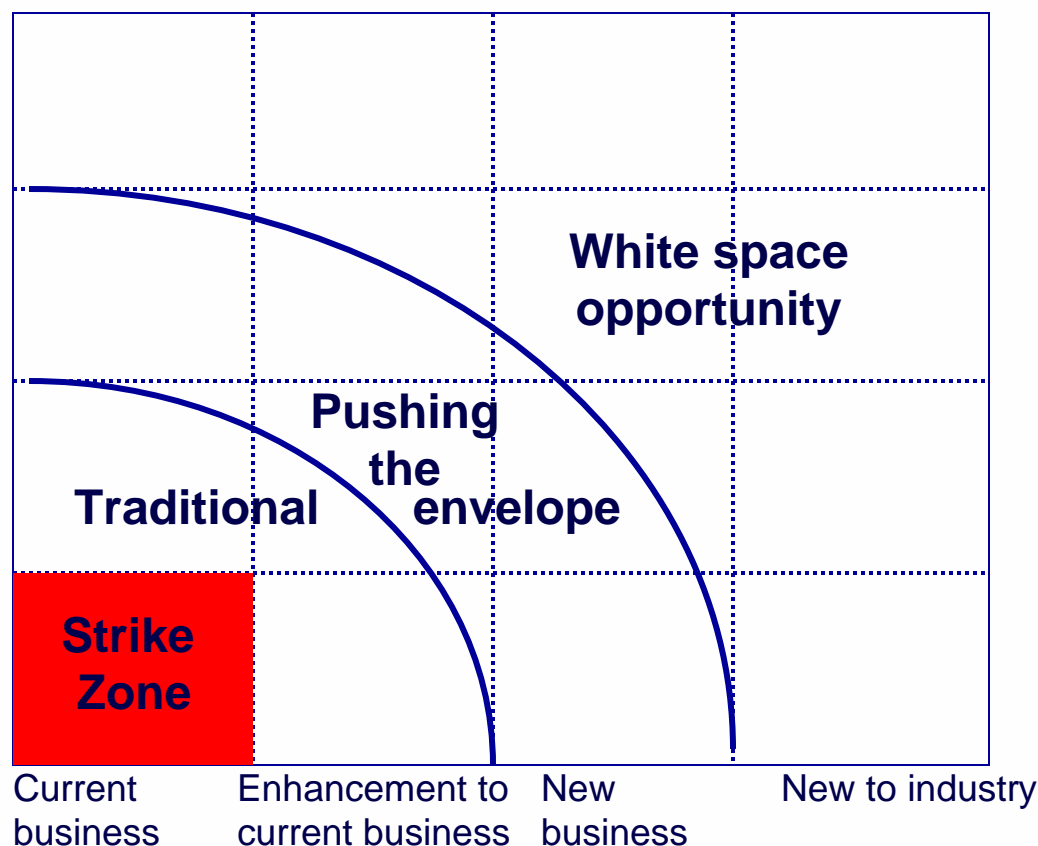
MARKETS

New customer wants and needs

Customers in new agreements

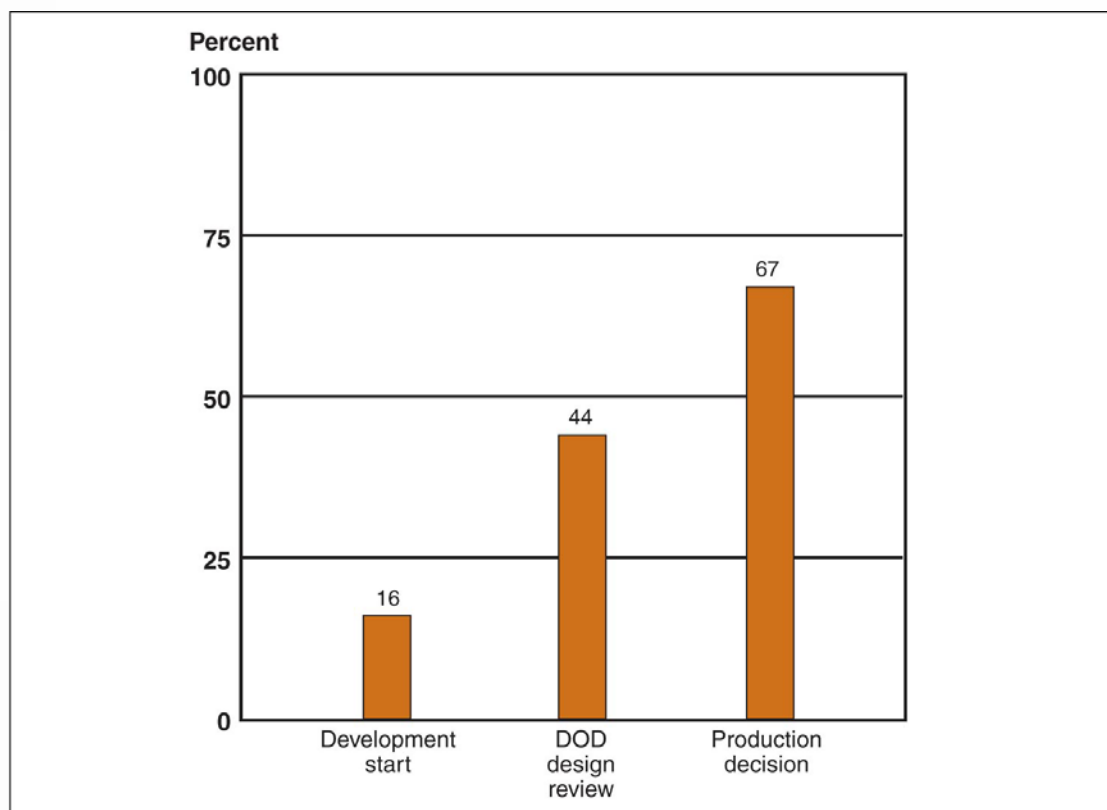
New customer in existing agreements

Current customers



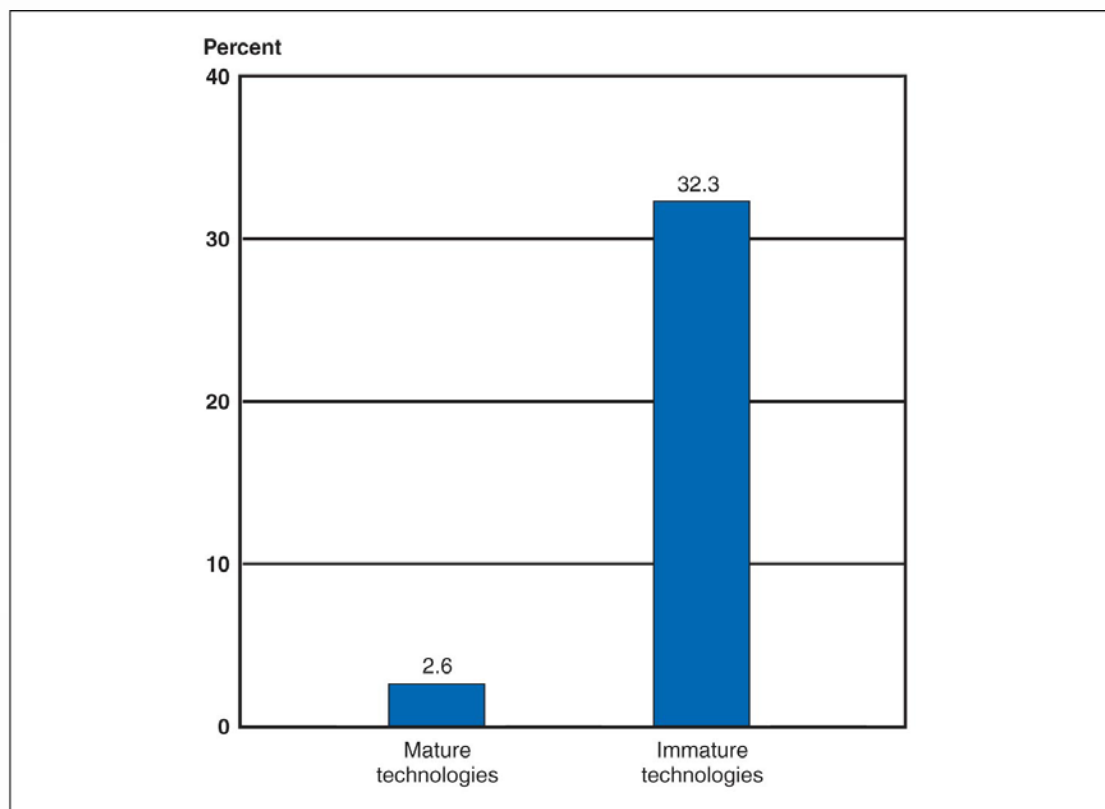
OFFERINGS

Decision-making – Levels of Technology Knowledge Too Low at Key Junctures



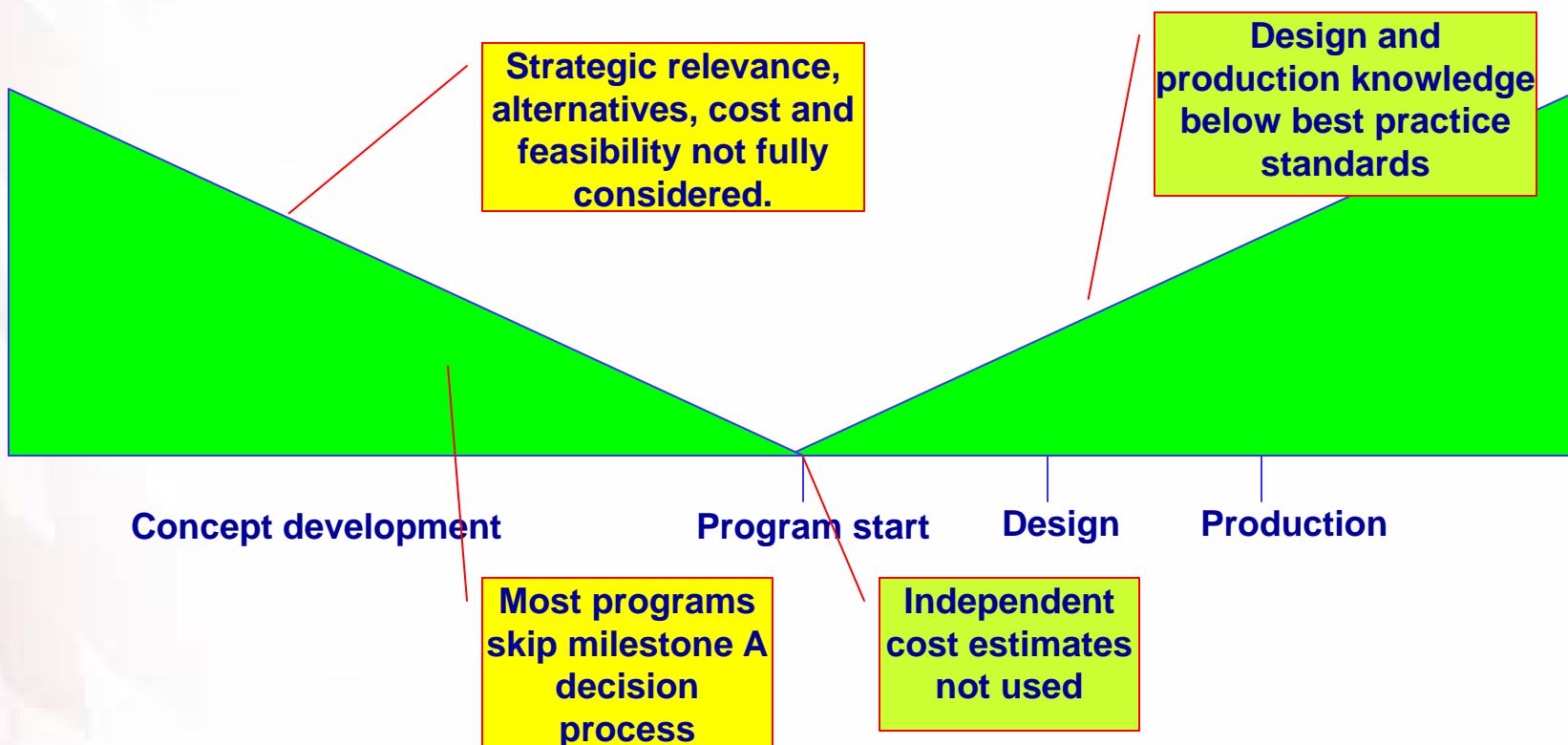
Source: GAO analysis of DOD data.

Decision-making – Cost Increases for Programs That Did Not Obtain Knowledge



Source: GAO analysis of DOD data.

Decision-making – Other Knowledge Gaps



Support – Definition of Success



Source: Office of Management and Enterprise Services.



Source: Office of Management and Enterprise Services.



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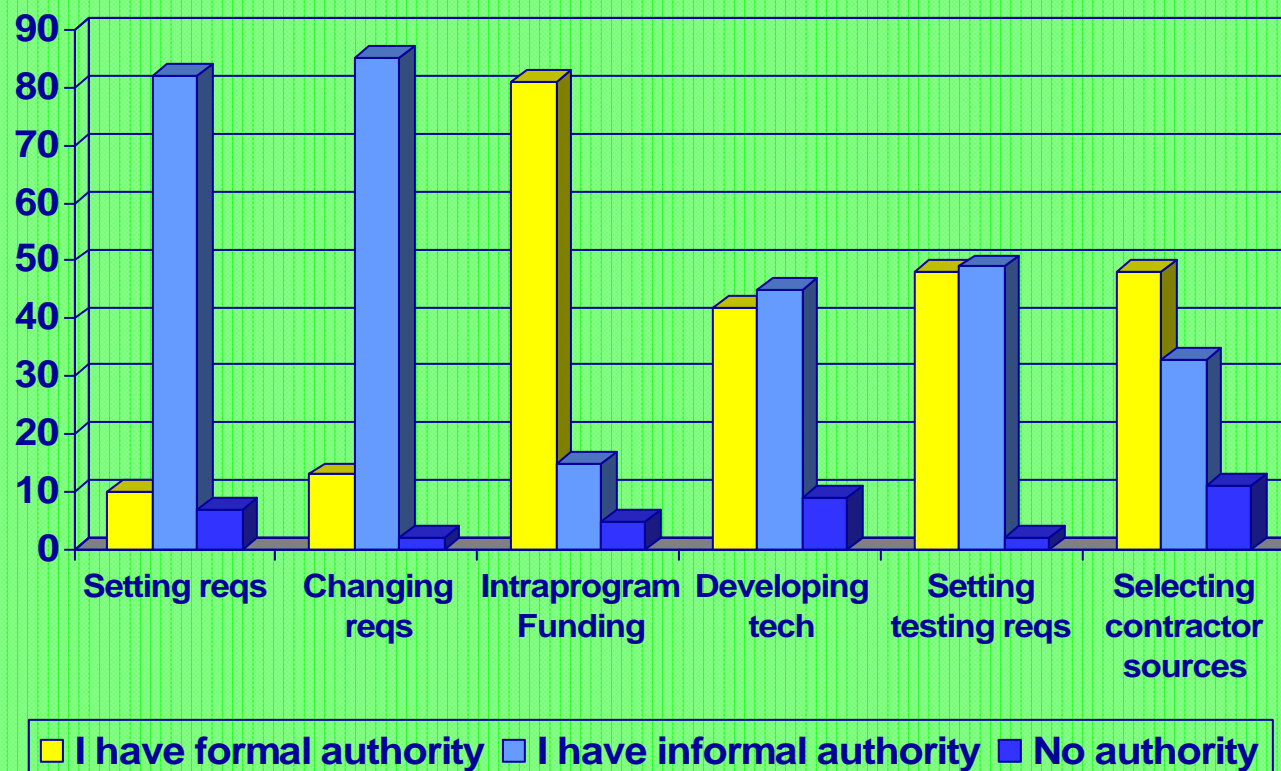
Too many programs competing for funding

Costs are underestimated and capability is over promised; approaches involving substantial leaps in desired capabilities are favored over incremental leaps

Resulting problems require more money and time, increasing competition among programs; bad news is suppressed

Sponsors become more vested as more money and time are spent; customers cannot walk away; few cancellations of problematic efforts

Support – Program Managers Not Empowered to Execute



Support - Increased Reliance on Service Contractors

Why the trend

- Depletion of technical and business skills
- Growth in complexity and interdependency of programs
- FTE ceilings
- Flexibility
- Perception of cost-effectiveness

What we don't know

- Numbers
- Costs
- Trends in usage
- Impact/effects

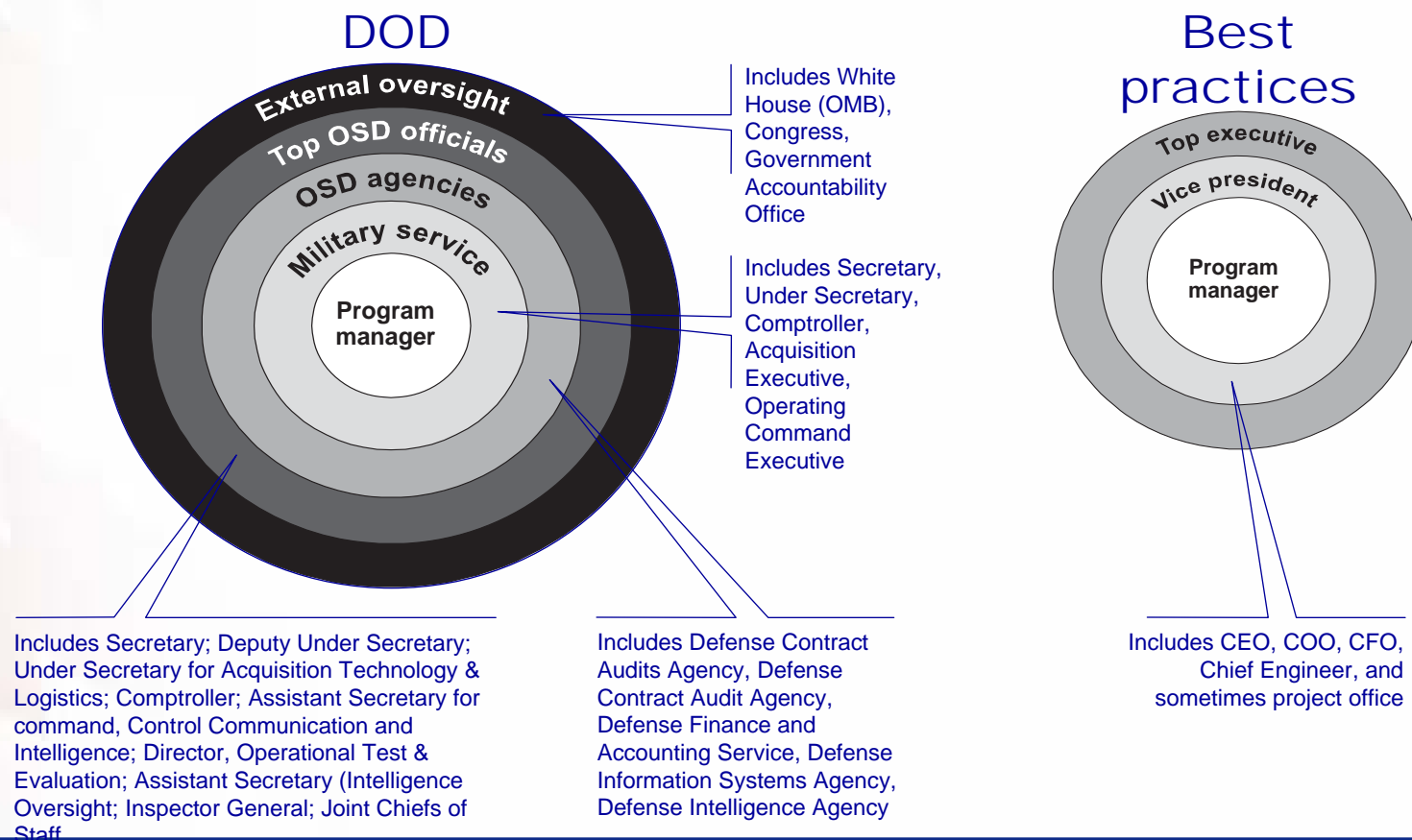


**Proliferation
of contractors**

Why we are concerned

- Contracting out of inherently government functions
- Loss of organic capability
- Conflicts of interest
- Cost inefficiencies
- Inadequate oversight and management
- Applicability of laws and regulations

Accountability – Who Is Accountable



Accountability: What role the contractor?

- Greater responsibility in defining requirements and setting acquisition strategy
 - Contract types and duration that are not aligned with risk
 - Loss of government ability to establish and monitor performance
 - Fees paid that are not aligned with outcomes
 - No remedies for consequences
-